

Scope of Study

CONNECTICUT'S ECONOMIC COMPETITIVENESS IN SELECTED AREAS

BACKGROUND

Connecticut has identified several “industry clusters”, such as the aerospace and bioscience industry sectors, that are the foundation of its economic growth. Exports, many from industry clusters, are a sizable contributor to the state’s economy. In 2007, the value of exports totaled \$13.7 billion or about 6.7 percent of the state’s economy, an increase of about 12 percent from 2006 levels. However, concern has been raised about whether Connecticut is positioned to rebound from the current recession in a way that advances the state’s major economic drivers to its maximum benefit. The study will look broadly at what state policymakers can do to enhance the state’s economic opportunities.

Issues have also been raised about whether Connecticut’s laws and tax policy may restrict the state’s ability to compete with surrounding states, especially in the area of retail sales, and if so, to what extent businesses close to Connecticut borders bear the burden.

AREAS OF FOCUS

The study will focus on how Connecticut’s laws and policies help or hinder the state’s economic position both globally and with its surrounding states. To do that, both a broad and narrow approach will be used. Broadly, the study will examine: 1) selected Connecticut industry cluster areas, including export activity, that are considered the state’s economic development priorities; and 2) whether state laws, tax policies, and other strategies enhance cluster activity. More narrowly, the study will also examine how Connecticut’s laws and tax policy affect its economic position, especially in the retail sales area, relative to surrounding states.

AREAS OF ANALYSIS

The first three areas of analysis will assess Connecticut’s competitive position globally and nationally, while the last four areas will examine the state’s position compared to surrounding states.

Industry Cluster Focus:

- Identify those industry clusters Connecticut consider its economic development priorities, including exports, and select several for in-depth analysis.
- Identify other states with similar priorities, and based on several measures, assess how well Connecticut compares in economic competitiveness.
- Evaluate what laws, tax policies and other strategies advance (or detract from) the economic competitiveness in these areas, and opportunities for enhancing Connecticut’s position, including through expanded revenues.

Surrounding State Focus:

- Determine the current tax policies of Connecticut and surrounding states regarding sales, excise, and use taxes; identify any major changes in those policies in past years and any corresponding impact on revenue to the state.
- Determine sales tax differences in the various surrounding states and review any existing data or evidence that these differences provide incentives for state businesses and residents to cross borders to purchase goods and/or services.
- Examine the impact on economic competitiveness of any restrictive laws or policies that exist in Connecticut, such as minimum pricing and blue laws, on businesses and residents particularly those in towns near the state borders.
- Assess deficiencies, if any, on use tax reporting, collection, and enforcement, including inter-agency collaboration among the Departments of Revenue Services, Economic and Community Development, and Consumer Protection.

AREA NOT UNDER REVIEW

The study will not include other tax areas such as local, property, business/corporation or wealth taxation (i.e., estate, inheritance, or gift taxes), nor will the study examine other reasons that potentially affect economic competitiveness, like costs of doing business, housing, and energy costs.